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Financial, budgetary and administrative matters

Revision of UNDP financial regulations*

Summary

In its decision 2005/1, the Executive Board requested the Administrator to establish risk guidelines with respect to (a) the commitment of resources against future receipt of contributions; and (b) exceptions to separation of duties. That decision also called for an independent expert assessment of those changes. This report outlines in greater depth the rationale for the proposed changes, the associated risks and how to mitigate them. It also includes an independent assessment of the proposals by the UNDP External Auditor, United Nations Board of Auditors.

Elements of a decision

The Executive Board may wish to approve the proposed revised financial regulations, and take note of the proposed associated financial rules.

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* The need for additional analysis has delayed submission of the present document.

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I. Introduction

1. As part of the comprehensive review of the financial regulations set out in document DP/2005/3 submitted to the Executive Board at its first regular session in January 2005, UNDP proposed changes to regulation 5.07 regarding commitment of resources against future receipt of contributions, and regulation 20.02 regarding exceptions to separation of duties. In its decision 2005/1, the Executive Board deferred consideration of these proposed changes to its annual session in June 2005, and requested the Administrator to establish risk guidelines thereon as well as an independent expert assessment with respect to those changes.

2. This report outlines in greater depth the rationale for the proposed changes, the associated risks and how to mitigate them. In response to the Board request, the revisions and guidelines referred to below have been reviewed by the UNDP External Auditor, United Nations Board of Auditors.

II. Commitment of resources on the basis of approved receivables

Proposed revised financial regulation and rule

3. In document DP/2005/03, UNDP proposed the following revisions (in bold) to regulation 5.07.

Regulation 5.07:
Contributions to ~~o~~**O**ther ~~r~~**R**esources shall be subject to the following conditions:

(a) Contributions shall be paid pursuant to an agreement made between the contributor and the Administrator;

(b) Contributions shall be paid in advance of the allocation made for the implementation of planned UNDP programme activities, **except as provided under the terms of Regulation 5.07(c)**;

(c) **Notwithstanding the provision of Regulation 5.07(b), allocations may be made on the basis of receivable co-financing contributions, in accordance with risk guidelines established by the Administrator.**

(d) ~~(c)~~ Additional costs incurred by UNDP in administering the contribution shall be fully covered from the contribution.

4. Pending the approval of revised regulation 5.07, the Administrator will promulgate a new associated financial rule that reads as follows:

Rule 105.02:

Further to regulation 5.07, the Administrator will promulgate guidelines to ensure risks are mitigated to the extent possible.

Rationale for revision to financial regulation and rule

5. Existing regulation 5.07(b) requires donors to pay their contributions to Other Resources activities fully in advance. According to this regulation, UNDP ability to enter into commitments is limited to the amount of cash contributions that have been received, which may not be sufficient to carry out activities.

6. Over time, the size of Other Resources contributions to UNDP has increased significantly. Between 1994 and 2003, Other Resources grew from $628 million to $2.5 billion. As a consequence, donors often require that their contributions be paid to UNDP in instalments rather than 100 per cent in advance. This is considered a better cash management practice by many donors, who do not wish to tie up large amounts of cash in advance of programme/project implementation. Other donors are bound by legislation that does not permit them to pay contributions fully in advance. Some contributors, particularly the European Commission, also require a holdback of a tranche of funds to be paid only after successful project completion.

7. Where it is possible for UNDP to operate under the existing regulation, there is frequently an extensive period between the signature of a donor agreement and the receipt of funds. This consequently leads to late start-up of projects/programmes, and a reduction in overall programme delivery.

8. In order to be responsive to donor concerns and practices and to facilitate more effective programme management, the Administrator suggests amending regulation 5.07 as outlined above. If a proposed donor agreement meets certain conditions outlined in the risk management guidelines outlined below, the revised regulation and associated rule would allow UNDP to commit resources for programme/project implementation, even though 100 per cent of the contribution has not been received. Such commitments usually take the form of contracts for supply of services, e.g., experts, consultants, project personnel, or for purchase of goods such as project equipment, vehicles, and so forth. Disbursements, however, would only be made once funds have been received, unless the resident representative or other senior official authorizes an override, as appropriate.

9. This request is in harmony with practices approved for UNFPA, the United Nations Children's Fund (UNICEF) and the World Food Programme (WFP).[1] Potential risks and how they may be mitigated are addressed below.

Implications for UNDP

10. Provided that the appropriate operational procedures are followed as outlined below, the risk of loss to UNDP as a result of this proposed change in regulation is seen as minimal. If commitments are entered into in advance of the receipt of contributions as per the revised regulation 5.07, three possible scenarios can occur.

11. *Scenario A: The donor pays before UNDP payment to suppliers is due.* This is the most likely scenario, and implies no loss to UNDP.

[1] UNFPA financial regulation 2.2 F (i); UNICEF financial rule 105.5; WFP financial regulation 10.8.

12. *Scenario B: The donor delays payment compared to the agreed schedule.* This, under current circumstances, is typically caused by either: (a) payment procedures on part of the donor; or (b) delays in UNDP reporting (interim and/or final reports) to donors, which consequently hold back their payments. Out of the $2.7 billion received in cost-sharing income in 2002-2003, the average amount by which expenditures temporarily exceeded income was less than 0.2 per cent, bearing in mind that overall there is never a cash deficit in Other Resources. This does not incur any loss to UNDP, apart from the limited foregone investment income that otherwise would have been earned on the funds advanced from Other Resources working capital.

13. *Scenario C: The donor fails to make the payment.* In a very limited number of instances, the donor may be unable or unwilling to make an agreed payment. A review of statistics in 2002-2004 shows that there were no write-offs resulting from donor default. Any real deficit/loss that might result from the need to honour commitments made would be covered through:

(a) Appropriate pursuit of payment from the donor in connection with the legal terms of the officially signed co-financing agreement;

(b) The provisions of regulation 5.08, which covers default of contributions to Other Resources; and

(c) Charges to the extrabudgetary income of the concerned country office or regional bureau, and as a last resort to the Other Resources reserve as provided in regulation 25.06(b).

Risk management guidelines

14. The risk management guidelines aim at minimizing the occurrence and potential consequences of scenarios B and C above, and cover the following elements summarized below:

(a) Eligibility of contributors to pay instalments rather than fully in advance;

(b) Requirement of signed co-financing agreements with donors, including payment schedule, before entering into commitments;

(c) Limitation of UNDP liability in agreements with suppliers of goods and services;

(d) Requirement of approvals before cash is disbursed; and

(e) Monitoring and proactive follow-up on due payments.

Eligibility of contributors to pay in instalments rather than fully in advance

15. To minimize the possibility of non-payment resulting from default, the ability to provide contributions in instalments rather than 100 per cent in advance will be restricted to donors with a demonstrated record of ability to pay. To assist in the assessment of payment capacity, the long-term debt ratings of Moody's, Standard & Poor's and Fitch will be used to assess this risk. Only donor countries with a rating

of 'B' or better will be eligible to pay in instalments. Standard & Poor's definition of 'B' indicates that an obligor has the capacity to meet its financial commitment on the obligation. Notwithstanding such a rating, a previous history of default with UNDP would disqualify a donor from eligibility.

16. Donor countries not meeting that standard, or that are not rated, would only be able to pay in instalments, given that a letter of credit is issued by a bank with an acceptable credit rating, as approved by the UNDP Treasurer. If the source of contribution, however, is a loan from an international financial institution (IFI), e.g., the World Bank, UNDP can accept an instalment modality, provided that a facility is assigned to UNDP by which it can draw funds directly from the IFI to meet project cash requirements.

Rating	**Able to pay in instalments, rather than fully in advance?**
≥ B	Yes
< B or Not Rated	Only if an acceptable letter of credit is issued, or a drawdown facility from an IFI is arranged

Signed co-financing agreements with donors, including payment schedule, required before entering into commitments

17. A legally binding agreement between the eligible contributor, as per the above, and UNDP has to be signed before UNDP can enter into any commitments. The agreement must specify the schedule and timing of payments, which must be set up so that payments from the donor are made in advance of anticipated cash payments from UNDP for the implementation of planned activities. The schedule of payments may be amended from time to time to be consistent with the progress of project/programme delivery and shall reflect any revisions to the anticipated total costs of activities. Standard agreements have been drawn up with the UNDP Office of Legal and Procurement Services that include standard conditions providing for the contributor's liability for all commitments and expenditures incurred in the implementation of the programme/project up to the date of notification of termination in the event that the contributor decides to terminate the agreement. Any non-standard agreements, together with detailed rationale for non-use of standard text, must be submitted to the appropriate headquarters units for review and approval prior to signature.

Limitation of UNDP liability in agreements with suppliers of goods and services

18. Contracts entered into with suppliers shall contain standard and legally cleared 'limitation of liability' clauses that permit UNDP to terminate contracts without cause at any time upon 15 days prior written notice to the contractor. In such cases, UNDP shall reimburse the contractor for all reasonable costs incurred prior to the receipt of notification. In the event of non-payment or delayed payment of contributors, such provisions will limit UNDP liability.

Approvals required before cash is disbursed

19. In those instances where a scheduled instalment payment is late, funds should not be disbursed until cash has been received, unless an override has been authorized by the resident representative or other senior official, as appropriate. The decision to approve such disbursements must be based on assurance from the donor that the payment is in progress, and entails a commitment that the country office's extra budgetary funds, or the extra budgetary funds of the regional bureau as necessary, could be charged in the first instance in the event that the contribution is not received. Funds would then be temporarily advanced from Other Resources working capital to honour commitments with suppliers.

Monitoring and proactive follow-up on due payments

20. The Enterprise Resources Planning (ERP) system, Atlas, implemented in 2004, has the facility to track/monitor funds receivable from donors systematically. Once an agreement has been signed with a contributor, the schedule of instalment payments shall be reflected in the system through the creation of "approved receivables/pending items". The recording of receivables will enable managers to monitor closely the contributor payments against agreed instalment schedules (aging of receivables), and follow up proactively with the donor on upcoming payments.

Expert assessment of proposal

21. In response to the Board request in decision 2005/1 for an independent expert assessment of these changes, UNDP has discussed the above proposal with the United Nations Board of Auditors.

22. The Board of Auditors has assessed the proposed changes to UNDP financial regulation 5.07(b) and (c), rule 105.02 and the accompanying risk management guidelines. This assessment has been limited to the information contained in this document. The Board of Auditors also took into consideration that the proposed changes are in harmony with practices already approved for UNFPA, UNICEF and WFP.

23. After taking into account the rationale for this revision, the potential risk implications for UNDP as well as the proposed risk management guidelines to mitigate these potential risks and to limit the liability for UNDP, the Board of Auditors considers the proposed changes to the regulations and rules to be appropriate, without prejudice to the results of actual audits or review and evaluation of the actual implementation.

24. Accordingly, the Board of Auditors is not in a position to assess the impact that the amended regulation and rule will have on the organization at this time. The Board of Auditors is of the view that the quality of implementation of the revised regulation and rule as well as the risk management guidelines is a key factor that needs a detailed assessment within a reasonable period of time to ensure that the risks and liabilities are indeed mitigated.

III. Separation of duties

Proposed revised financial regulation and rule

25. In document DP/2005/03, UNDP proposed the following revision to regulation 20.02:

> **Regulation 20.02:**
> **Unless otherwise expressly authorized by the Administrator, t**~~T~~here shall be a separation of duties:
>
> (a) Between the staff who may incur obligations or commitments on behalf of UNDP and the staff who may verify that payments may be made on behalf of UNDP; and
>
> (b) Between the staff who may verify that payments may be made on behalf of UNDP and the staff who may disburse resources on behalf of UNDP.

26. Pending the approval of the revised regulation 20.02, the Administrator will promulgate a new associated financial rule:

> **Rule 120.04:**
> Further to regulation 20.02, regarding exceptions to the separation of duties:
>
> (a) All exceptions will be granted by the Comptroller;
>
> (b) At least two signatories are required to authorize the expenditure of funds;
>
> (c) The exception will be granted for a maximum of 30 calendar days; and
>
> (d) The exception will be granted on the basis of proposed compensating controls by the country office or Regional Bureaux, including post facto review by another unit of all transactions over $2 500.

Rationale for revision to financial regulation and rule

27. Regulation 20.02 requires that there shall be a separation of duties among staff members that may incur obligations, verify payments and disburse resources on behalf of UNDP. The amendment reflects the need to take into account that given certain circumstances, the Administrator may grant exceptions in the interest of the organization. Such exceptions might be necessary where, for a temporary period, there is not a full complement of signatories present in a country office to effect timely payments and consequently project delivery. In such instances, at least two separate individuals would be required to authorize the expenditure of funds. This is also in harmony with the financial regulation approved for UNFPA.[2]

[2] UNFPA financial regulation 14.2

Implications to UNDP

28. Small country offices would be the most likely to experience temporary periods without a full complement of signatories. As the disbursement levels in such offices are low, and given that the post-facto controls/reviews specified below are put in place, the overall risk to UNDP is seen as very small.

Risk management guidelines

29. Exceptions to the segregation of duties will be granted on a case-by-case basis by the Comptroller for a limited time period not exceeding 30 calendar days. For such an exception to be granted, at least two individuals will have to be involved in reviewing the transaction, and appropriate compensating controls must be put in place. Required control mechanisms will include a review at headquarters or in regional centres of Atlas reports and supporting documents for all transactions above $2 500 undertaken during the prescribed period. The UNDP Office of Audit Review will also be advised of the granted exceptions, and will take this into account in formulating their audit plan.

Expert assessment of proposal

30. The Board of Auditors has assessed the proposed changes to UNDP financial regulation 20.02, rule 120.04 and the accompanying risk management guidelines. This assessment has been limited to the information contained in this document. The Board of Auditors also took into consideration that the proposed changes are in harmony with practices already approved for UNFPA.

31. After taking into account the rationale for this revision, the potential risk implications for UNDP as well as the proposed risk management guidelines to mitigate these potential risks and to limit the liability for UNDP, the Board of Auditors considers the proposed changes to the regulations and rules to be appropriate, without prejudice to the results of actual audits or review and evaluation of the actual implementation.

32. Accordingly, the Board of Auditors is not in a position to assess the impact that the amended regulation and rule will have on the organization at this time. The Board of Auditors is of the view that the quality of implementation of the revised regulation and rule as well as the risk management guidelines is a key factor that needs a detailed assessment within a reasonable period of time to ensure that the risks and liabilities are indeed mitigated.

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Field visits

Report on the field visit to the Lao People's Democratic Republic

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I. Introduction

1. A delegation of the UNDP/UNFPA Executive Board, composed of representatives of Canada, Cape Verde, China, Guatemala, India, Norway, Poland, the Russian Federation and Uganda, accompanied by the Secretary of the Executive Board and the UNFPA Senior Reports Officer, visited the Lao People's Democratic Republic from 6 to 13 March 2005.[1]

2. The programme of the visit comprised a three-day stay in Vientiane with extensive meetings with representatives of the Government, donor community and international non-governmental organizations (NGOs), as well as meetings with the UNDP and UNFPA country office staff and United Nations country team (UNCT) members; two parallel two-day field visits to the provinces; and a final day of wrap-up and debriefing meetings. The delegation was able to visit a number of UNDP, UNFPA and United Nations Volunteers (UNV) projects, both in the capital and in the provinces.

3. A distinctive feature of the visit was the availability of high-ranking government officials. The delegation had the opportunity to meet His Excellency Dr. Bouasy Lovansay, Chairman of the Economic and Financial Committee, Acting Chairman of the Standing Committee of the Lao National Assembly, His Excellency Mr. Somsavat Lengsavad, Deputy Prime Minister and Minister of Foreign Affairs, Chair of the National Supervisory Committee on the Millennium Development Goals, His Excellency Dr. Thongloun Sisoulith, Deputy Prime Minister and President of the Committee for Planning and Investment (CPI), His Excellency Mr. Somphanh Phengkhammy, Minister of Labour and Social Welfare, His Excellency Mr. Phongsavath Boupha, Vice-Minister of Foreign Affairs, His Excellency Dr. Khamhuong Heuangvongsy, Vice-Minister of Public Health, His Excellency Dr. Lien ThyKeo, Vice-President of CPI and Chairman of the National Coordinating Committee for Population and Development.

4. The members of the delegation would like to express their thanks and appreciation to the Government of the Lao People's Democratic Republic, the Governors of Luang Prabang, Champasack and Saravane provinces and the Ministry of Foreign Affairs officials for their warm welcome and hospitality. The delegation would also like to thank the United Nations Resident Coordinator and UNDP Resident Representative, the UNFPA Representative and their respective staff for preparing a comprehensive and well-balanced programme for the visit and for their dedicated and professional work in support of the mission. The delegation benefited from the extensive and frank discussions both with the Government and the UNCT.

5. The delegation would like to commend the high quality background materials prepared for the visit, which were extremely helpful for understanding the development context and the challenges faced by the Lao People's Democratic Republic, as well as for the preparation of the present report.

II. Background: The development situation, performance and challenges

6. The Lao People's Democratic Republic is a landlocked least developed country (LLDC) and one of the poorest countries in the world with a low Human Development Index. The UNDP 2004 Human Development Report ranks the country as 135th out of 177 countries.

[1] The team leader of the mission was Ms. Ruchi Ghanashyam (India); co-rapporteurs were Mr. Alexander Alimov (Russian Federation) and Mr. José Maria Tavares-Silva (Cape Verde).

7. The Lao People's Democratic Republic is highly dependent on natural resources for economic and social development, including land, water and forest resources. Geographic conditions (two thirds of the country is mountainous) restrict both the quantity and quality of agricultural land and pose difficulties in the development of trade, social infrastructure, and communications links. The situation is further compounded by a highly dispersed, thinly spread and ethnically diverse population. The country has more than 49 ethnic groups with their own customs and dialects, most of whom inhabit upland rural areas.

8. In the last decade the country has experienced relatively high economic growth (5.8 per cent since 1992) and has been making steady progress in reducing poverty (from 45 per cent of the population in 1992 to approximately 32 per cent of the population in 2002). However, annual gross domestic product (GDP) per capita remains at a low level of $331, and high-income groups continue to be the main beneficiaries of economic growth.

9. Across the country, considerable regional, lowland/upland, urban/rural, ethnic, and gender disparities are reflected in inequities in access to fertile land, basic social services, transportation and communications, posing real challenges for poverty reduction. Poverty is generally more widespread in the remote upland areas, particularly in the northern and southern provinces.

10. Eighty per cent of the population lives in rural areas, dispersed in small villages that are difficult to access. Despite enormous capital investment in infrastructure, particularly road construction, limited physical infrastructure and communication networks leave many households, particularly in remote rural areas, with a lack of access to basic services, including health and education, income generation modalities, such as markets and market information, and basic household amenities, such as water and electricity.

11. The national economy remains overwhelmingly dependent on official development assistance (ODA), which accounts for approximately 18 per cent of gross national product (GNP) and around 80 per cent of public investment. The private sector, although active, is only just beginning to emerge.

Population dynamics

12. The Lao People's Democratic Republic has a high population growth rate (the most recent estimate is 2.8 per cent per annum) resulting from a high fertility rate (4.9, one of the highest in Asia) and declining mortality. The population is likely to double by the year 2025 if the current annual growth rate remains unchanged. Infant mortality has dropped from 134 per 1,000 live births in 1990 to 82 per 1,000 live births in 1999; maternal mortality has decreased by almost one third during the same period, but remains among the highest in the region -- 530 deaths per 100,000 live births. The contraceptive prevalence rate (CPR) has tripled since 1995, but remains low at 32 per cent and the unmet need for family planning is high at 40 per cent. The proportion of deliveries attended by skilled health personnel is very low (17 per cent) and even when births are supervised women may still not have access to emergency obstetric care. Fifty-five per cent of the population is younger than 19 years. As more adolescents enter into reproductive age and the labour market, the need for reproductive health services and job creation will substantially increase. The rapidly growing population and resulting high dependency ratio and increasing population density on arable land have far reaching effects in terms of achieving food security, providing education, health services and employment opportunities and

eradicating poverty. Limited access to quality reproductive health information and services, including family planning, and limited medical facilities, especially in rural areas, pose a challenge to reducing maternal mortality.[2]

Unexploded ordnances

13. Heavy unexploded ordnances (UXO) contamination is one of the major challenges for the development of the country. The Lao People's Democratic Republic is considered to be the most heavily bombed country in the world per capita. During the period 1964 to 1973, more than 2 million tons of explosive ordnance were dropped on the country, including over 80 million anti-personnel cluster bomblets, commonly referred to as 'bombies'. Experts estimate that up to 30 per cent of these explosives failed to initiate and are still lethal. There are an estimated 8 to 25 million bombies buried in the soil, together with heavy bombs, artillery and mortar shells, rockets, hand grenades and landmines left by extensive ground battles. UXO contamination affects two thirds of the country: 10 out of the country's 18 provinces are described as being "severely contaminated".

14. UXO contamination has a significant effect on development in the Lao People's Democratic Republic, seriously limiting the possibilities for use of arable land and expansion to new agricultural areas, thus increasing production and self-sufficiency. UXO constitute a major impediment to the basic infrastructure development, including roads, schools and health facilities, with UXO clearance operations requiring up to 10 per cent of the project costs. In addition, trauma and long-term treatment of UXO victims places a burden on limited national medical facilities.

15. The Lao People's Democratic Republic is not a party to the Ottawa Convention[3] and therefore some donors limit their financial support to the national UXO programme (insufficient in the opinion of the delegation), giving priority to assistance to the States-parties to the Convention. Delay in the country's accession to the Convention may be due to lack of knowledge and capacity to implement, rather than any political reason.

National capacity

16. The Lao People's Democratic Republic is critically short of the 'human capital' required for development (the problem was cited as a major issue by all the United Nations agencies' representatives). Despite progress, institutional structures and administrative and management capacity remain weak. Limited human resource capacity at all levels of society, in both the public and private sectors, poses severe constraints on development. Efforts to develop a sustainable human resource base are being eroded by ever increasing demands for qualified and appropriately trained personnel, particularly managers, brought about by rapid economic progress. Responding to the urgent need to develop sustainable improvements in human resources requires focusing national development efforts on health, education and vocational training. Equally important is the strengthening of human resource capacity in planning, implementation and monitoring of development activities to reduce dependency on external technical assistance.

[2] Other population challenges are discussed in section VIII.

[3] Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction.

HIV/AIDS

17. The Lao People's Democratic Republic is considered a low prevalence country for HIV/AIDS (the rate is 0.06 per cent[4]). Estimated cumulative HIV-infected persons are about 1,100, though the actual figure, according to the UNCT, may be higher due to unreliability of the existing detection and reporting systems. At the same time, the UNCT is of the opinion that AIDS could potentially spread rapidly across the country given its location amidst higher prevalence countries; a young and increasingly mobile population; rapid modernization; and a gradual opening up to the region (at present over 50 per cent of HIV-positive cases are amongst Lao migrant workers returning from neighbouring countries). Young people and service men and women are particularly vulnerable.

III. Development policy

18. Since the introduction of market-orientated reforms in 1986 under the umbrella of the New Economic Mechanism, national development efforts are aimed at achieving transition from a centrally planned to a market-oriented economy.

19. The overarching national development goal of the Government is to graduate from a least developed country (LDC) status by the year 2020, through a "sustained growth with equity" strategy that aims at economic growth and people-centred equitable development.

20. Facing up to regionalization, internationalization and globalization is one of the key priorities of the Government, which is fully aware of the need to capitalize on the country's location in the centre of a dynamic and economically growing region and transform the Lao People's Democratic Republic from a 'landlocked' to a 'landlinked' country. This includes deepening external socio-economic engagement, expanding foreign investment, strengthening international trade ties and partnerships and developing national and international infrastructure networks, including transportation, communications and information technology links.

21. The Government fully understands the need to develop clear, inclusive, coordinated, effective and sustainable policies and strategies that are responsive to changes in national, regional and international economic and socio-political environments and has taken concrete steps for developing a comprehensive national policy environment.

22. The Government's National Growth and Poverty Eradication Strategy (NGPES) or Lao poverty reduction strategy paper (PRSP), approved by the National Assembly in October 2003, forms the basis of an integrated approach to poverty reduction. The NGPES is a medium-term strategy which focuses on: (a) increasing growth through private sector development, including foreign direct investment (FDI), increased trade and regional integration; and (b) reducing poverty through increased budgetary allocations for the social sectors (education and health, in particular). An important feature of the NGPES is a focus on 47 of the poorest districts. The NGPES is focusing on four key sectors: agriculture and forestry; education; health; and transportation. The cross-cutting areas of focus include governance, environmental

[4] Millennium Development Goals Progress Report Lao PDR, 2004.

conservation and natural resource management, gender equity, social security, drug control, population issues, UXO clearance and HIV/AIDS. The Millennium Development Goals (MDGs) are incorporated as a tool to measure progress towards the NGPES. In most cases, the Government's targets are more ambitious than the global MDG targets.

23. The five-year National Socio-Economic Development Plan (NSEDP) is the principal medium-term planning instrument of the Government, and sets out the key tasks, guidelines and targets for the country's development. The Government is currently looking at incorporating the NGPES and the MDGs into the next NSEDP being prepared for 2006–2010, thus completing creation of a national MDG-based integrated policy framework.

24. The National Population and Development Policy (NPDP), adopted in 1999, reflects the Government's commitment to implement the Programme of Action of the International Conference on Population and Development (ICPD) and to ensure that population growth is compatible with the country's socio-economic development. The NPDP underscores the need to integrate population factors into all socio-economic policies and provides a framework for the provision of reproductive health care, including family planning. In particular, priority is given to extending reproductive health care to rural areas, to reduce maternal and infant mortality and total fertility rates and increase contraceptive use. The NPDP was updated to incorporate reproductive rights, integrated reproductive health services, adolescent reproductive health, gender equality and women's empowerment, migration and behaviour change communication.

IV. The Lao People's Democratic Republic and the Millennium Development Goals

25. The delegation clearly observed a firm, high-level political commitment and strong leadership on the part of the Government with regard to the MDGs. This commitment has been demonstrated by the first national MDG report jointly prepared by the Government and the United Nations. Launched in October 2004, the report sets the baseline to track progress. The delegation would like to commend the high quality of this document. The National Supervisory Committee on the MDGs has been established and is chaired by the Deputy Prime Minister and Minister of Foreign Affairs.

26. The Lao People's Democratic Republic has adapted the MDGs to its national context. The comprehensive set of targets and indicators is tailored to the national development situation and, in many instances, goes further than the global MDG targets. The Government, assisted by the UNCT, is in the process of incorporating the MDGs into national policy documents, including the NGPES. An integrated plan of action is under development, bringing together elements of MDG operationalization, reporting, statistical strengthening and advocacy across the whole United Nations system and the Government.

27. The Lao People's Democratic Republic is on track for most of the global MDG targets on average at the national level[5], provided the current trends continue, including reducing by half the number of people living in poverty, reducing child and maternal mortality, achieving universal primary education and providing access to clean water. There is insufficient progress, however, in reducing the proportion of people suffering from hunger and eliminating gender disparity in education (although the gap has narrowed in primary education).

[5] Millennium Development Goals Progress Report Lao PDR, 2004.

28. At the same time, as in other countries, the situation is aggravated by significant regional disparities within the country (e.g., the poverty level is 12 per cent in Vientiane compared to 75 per cent in Huaphan province). Moreover, due to low 1990 baselines for most of the targets, the prospect of reaching the MDGs within the established time frame does not mean that the country will solve its acute development problems and not require external assistance after 2015.

29. Overall, achieving the MDGs in the Lao People's Democratic Republic will take significant investment in resources – technical, financial and human – as well as greater coordination efforts across development partners.

V. National ownership

30. The delegation's extensive meetings with the Government reaffirmed that it demonstrates a strong sense of leadership over the country's development process and strives to exercise full ownership over all development programmes implemented in the country. Government officials, including at the top level, demonstrate deep expert knowledge and active personal involvement in the issues they are dealing with.

31. At the same time, the delegation is of the opinion that the issue of national ownership presents challenges. It is directly and closely linked to the issue of national capacity-building. Whereas political will is always present at the high levels of Government, the implementation of the decisions taken is not always accompanied by sufficient capacity at subnational and grassroots level, due to the reasons discussed above. The limited national coordination capacity presents an important niche for the United Nations system and UNDP in particular, to play a key role in coordinating external assistance.

VI. The role of the United Nations system: Challenges and opportunities

32. The United Nations system in the Lao People's Democratic Republic (11 resident agencies), and UNDP and UNFPA in particular, have clear comparative advantages, value added, and a well-defined niche in the context of the complex development challenges facing the country.

33. The United Nations is highly regarded by the Government as a trusted partner for its neutrality and long-standing support to the country and continued presence during difficult times (when other donors pulled out for various reasons). The delegation has witnessed that both UNDP and UNFPA are considered "privileged partners" and have no difficulty in access to the Government with whom they have intensive and open dialogue and day-to-day interaction.

34. The United Nations' (especially UNDP's) leading role in aid coordination, particularly under the leadership of the current Resident Coordinator, is widely acknowledged and highly appreciated. The United Nations is credited with effectively facilitating the establishment of mechanisms for development dialogue among the Government, the donors and international NGOs through the roundtable meetings (RTM) and donor thematic discussion groups linked to the RTM process, which has fostered increased coordination and information sharing among all development partners.

35. Both UNDP and UNFPA have a clear understanding of the centrality of the task of national capacity-building and are quite successful in assisting the Lao People's Democratic Republic in this process at both the central level (formulation of policy frameworks by and technical assistance to national ministries), and ground level (assisting communities and individuals in terms of service delivery and training). The role of national execution (NEX) in the context of capacity-building should be highlighted. NEX is a prevailing execution modality for UNDP and UNFPA projects and, in the eyes of the Government, has contributed to fostering its ownership.

36. The United Nations plays an active and important role with regard to the MDGs in the fields of joint advocacy, communications and campaigning. For example, a multilevel MDG advocacy campaign launched in close collaboration with the Government resulted in giving the MDGs a higher profile, providing widespread media coverage of MDG events, and establishing a network of United Nations system public information officers with regard to the MDGs. Support has been provided for MDG monitoring and reporting and the delegation notes active UNFPA participation in the preparation of the national MDG report. Building national capacity (support to the MDG Secretariat in the Ministry of Foreign Affairs to manage and monitor the MDG process, sensitizing campaigns for national officials and media); strengthening statistical capacity (publishing the consensus MDG data on a web site[6] created to share MDG statistical information and track progress, training of Lao counterparts in National Statistical Centre); operationalizing the MDGs through project activities; and enhancing donor alignment around the MDGs and integrating the goals into the donor agenda, are being supported by the United Nations.

37. UNDP and UNFPA programmes, in the opinion of the delegation, adequately fit with the Government's priorities. Appropriate alignment between national strategies and plans and UNDP and UNFPA planning has been achieved: the new programme cycle will start in 2007, one year after the new NSEDP for 2006–2010 will have been adopted by the Government. This will allow the United Nations system to formulate the new United Nations Development Assistance Framework (UNDAF) and the country programme documents based on the existing Government planning instruments.

38. United Nations agencies working in the country face a number of challenges, including the following: insufficient national capacities; lack of financial support and locally available managerial and technical skills to sustain activities and projects implemented on the ground; lack of access to remote mountainous areas and to the poorest and most needy communities; and the necessity to be involved in sensitive issues, like resettlement.

39. The delegation's meeting with UNDP and UNFPA country office staff demonstrated that both representatives, despite significant difficulties, were able to assemble dedicated, competent and unified teams. The staff showed interest in the Executive Board's work, in particular, with regard to its role in resource mobilization, country programme evaluation, simplification and harmonization and cost recovery. The issue of local staff salaries was raised, which although it lies beyond the scope of the Board's work, was noted by the secretariat's representatives who accompanied the delegation. The dialogue helped the delegation to better understand the specificity of UNDP and UNFPA work in the country and their approach to key programme and operations issues. Clearly, meetings with the United Nations country office staff help to link the Executive Board and country offices and should remain an important part of the field visit programme.

[6] www.unlao.org.

VII. The contribution of UNDP

40. UNDP has been assisting the Government since 1975 and works in partnership with and under the leadership of the Government.

41. UNDP assistance is provided in line with the country cooperation framework (CCF) for 2002–2006. The UNDP strategic results framework corresponds to the five goals and 10 service lines of the multi-year funding framework (MYFF) -- achieving the MDGs and reducing human poverty; fostering democratic governance; energy and environment for sustainable development; crisis prevention and recovery; responding to HIV/AIDS.

Achieving the MDGs and reducing human poverty

42. UNDP has been assisting the Government in formulating its poverty reduction strategy and coordinating ODA in support of its national strategy. UNDP co-convened and played a leading role in a series of Government-led substantive multi-stakeholder consultations for preparation of the NGPES, supported by extensive sectoral and regional consultations within the Government, local governments, mass organizations, international NGOs and donors.

43. UNDP supports the implementation of the NGPES through various means, including the establishment of monitoring and evaluation tools. This includes using the statistical database DevInfo together with the United Nations system to facilitate tracking the MDGs, as well as supporting a series of workshops on prioritization and costing, jointly funded with the World Bank.

44. The National Human Development Reports (NHDR) are considered to be a useful tool for raising public awareness and promoting policy dialogue on specific themes relating to human development in the country. The second NHDR (2002) devoted to rural development provides a wealth of statistical information and highlights key development challenges in rural areas. With the advent of regional and global integration, trade liberalization and its social impacts will be examined in the next NHDR to be completed in 2005.

Public administration, decentralization and local governance

45. The delegation has observed the implementation of the UNDP flagship governance and public administration reform (GPAR) programme, which is helping the national civil service to become more efficient and better able to deliver services. The programme assists the Government in developing basic policy and legal systems, as well as developing essential skills needed by those in key central agencies and ministries, including the Prime Minister's Office. The programme currently works in Vientiane and the Luang Prabang province and is expanding to other provinces through cooperation with UNV and UNCDF. Overall, the programme helps government institutions by developing human resources, financial (revenue and expenditure) management, and effective use of information technology. The delegation formed the impression that the GPAR programme was one of the most successful projects of UNDP in the Lao People's Democratic Republic.

Parliamentary development

46. UNDP has been a long-standing partner of the Lao National Assembly, providing assistance (including equipment) to help it to carry out its legislative, oversight and representative functions effectively. The current programme continues to work with the Assembly to enhance legislative drafting skills, capacity for oversight, including national policy frameworks and budget review, and handling of citizens' complaints.

Access to justice and human rights

47. The UNDP programme has focused on strengthening the legal sector by helping key institutions, including the Ministry of Justice, Office of the Public Prosecutor and the People's Supreme Court; developing a long-term sector strategy, with attention to continuing capacity development, law enforcement coordination, and judicial strengthening; and strengthening the Lao Bar Association's capacity to provide legal aid to the poor, and to address linkages between the formal and traditional justice systems in the Lao People's Democratic Republic. UNDP also works with the Ministry of Foreign Affairs to facilitate improved understanding and implementation of the country's international obligations, including participation in human rights legal instruments.

Regionalization and globalization

48. UNDP has been assisting the Government in its efforts to accede to the WTO and to play an active role in the Association of South East Asian Nations (ASEAN), including through support to host a successful ASEAN Summit (Vientiane, November 2004) and facilitating dialogue on reducing the development gap between Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam and their wealthier ASEAN neighbours.

Donor coordination

49. The delegation would like to highlight in particular the key role UNDP is playing in the Lao People's Democratic Republic in coordinating ODA. The Lao People's Democratic Republic is one of the few remaining Roundtable countries in the region, where UNDP leads the coordination of the donors. At present eight Roundtables have been completed (held every three years). Following the RTM, UNDP initiated eight aid coordination working groups for the key sectors and cross-cutting themes of the NGPES, chaired by selected donors, to exchange information, shape a consistent donor position on policy issues and to provide feedback and policy advice to the Government. The Government is invited to these informal donor meetings and welcomes the initiative. The Roundtable process has successfully contributed to strengthening country ownership of the development process, prioritizing actions and programmes, catalyzing resource mobilization, fostering policy dialogue and partnerships, improving information sharing and promoting realistic agreements.

Energy and sustainable development

50. UNDP has supported the Government in promoting the sustainable use of its natural resources by assisting in the formulation of the Environmental Law and the National Biodiversity Strategy and Action Plan completed in April 2004. UNDP assisted the Government in meeting the international obligations under the United Nations Framework Convention on Climate Change (UNFCC) and the Convention on

Biological Diversity, supporting (with assistance from the Global Environment Facility) the Lao Science, Technology, and Environment Agency's participation in the international efforts against global warming and implementing a large-scale regional Mekong Wetlands Biodiversity Programme in cooperation with the Mekong River Commission, whose Secretariat relocated to Vientiane in 2004.

Crisis prevention and recovery: UXO[7]

51. UNDP supports the UXO Lao programme (established in 1996) -- one of the largest in the country and the most geographically spread national programme, mandated to reduce the number of civilian UXO casualties and to increase the land available for food production and other development activities. UNDP administers the UXO Lao Trust Fund and assisted the Government to develop the National Strategic Plan for UXO/Mine Action for 2003-2013. The plan addresses the issue of prioritization of the tasks, linkages with the national development plan and NGPES, community awareness, and consideration of the Ottawa Convention. In March 2004, the Government established the National Regulatory Authority for the UXO sector in order to delineate regulatory and implementation functions, which will directly impact UXO Lao, allowing it to focus on its core business as an operational field agency.

52. UXO Lao priority activities include clearance operations, including villager assistance clearance, survey by roving teams and grassroots data gathering, community awareness programmes and deminers training. The delegation was able to watch clearance activities and awareness programmes in Luang Prabang and Saravane provinces and was impressed by the work of highly trained and committed specialists.

53. UXO Lao faces several challenges linked to the enormity of the UXO problem, including the need to increase the pace of clearance, effective measurement of the results, high transaction costs, competition for resources, and the absence of an efficient, modern electronic information management system to enhance relationships with external stakeholders.

United Nations Volunteers

54. In the Lao People's Democratic Republic, UNV has one of the largest volunteer programmes in the subregion. The delegation would like to highlight the significant role United Nations Volunteers play in the country working actively in UNDP practice areas (including rule of law and strengthening the legal sector; supporting the National Assembly; agriculture development; opium eradication; and HIV/AIDS prevention). UNV supports key programme and operational activities in the UNDP and UNFPA country offices, as well as the resident coordinator system. UNV activities in the country augment UNDP and UNFPA capacity to connect policy level interventions with application in local communities. The delegation notes with satisfaction the high percentage of Lao nationals serving as United Nations Volunteers (29 out of 52 or 47 per cent).

55. UNV is involved in UNDP governance programmes in the Lao People's Democratic Republic (the country was selected as one of the six pilot countries for the UNDP/UNV initiative "Partnership on Governance"). The delegation has witnessed the clear value-added of UNV in the implementation of the

[7] See also description of the UXO situation in section II.

GPAR second phase (GPAR-UNV) in Luang Prabang province. UNV involvement was instrumental in building Government capacities at provincial, district and grassroots levels, ensuring critical linkages between the policy and the local levels, improving the bottom-up participatory planning process in the pilot villages and increasing their involvement in decision-making at higher levels. The delegation would like to commend all United Nations Volunteers working on the project, in particular, in Sibounphom village of Pak Ou district, for their high level of dedication and skills.

United Nations Capital Development Fund

56. The United Nations Capital Development Fund (UNCDF) had implemented a substantial portfolio of projects in the Lao People's Democratic Republic in the past amounting to $21 million in the fields of provision of basic infrastructure, including road construction, natural resources management, agriculture development and microfinance. A new UNCDF project dealing with decentralized service delivery in Saravane province will establish a District Development Fund and help local authorities to "learn by doing" in the areas of planning and budgeting and improved delivery of services.

VIII. The contribution of UNFPA

57. UNFPA has been present in the Lao People's Democratic Republic since 1976, working in close collaboration with and assisting the Government in addressing reproductive health and population and development issues. Through such collaboration the Government has been able to establish a good policy environment; increase the availability of family planning and maternal and child health services; increase the number of persons using contraceptives; and reduce the maternal mortality ratio. UNFPA interventions contribute to improving the health and well-being of the Lao people and are essential for the achievement of MDGs 1 to 6.

58. Despite the progress achieved thus far, many challenges remain. The priority issues include: early and unwanted pregnancy; limited knowledge on reproductive rights and on sexually transmitted infections (STIs), including HIV/AIDS; limited access to and poor quality of reproductive health services, specially in remote areas; high total fertility rate and large family size; lack of male involvement in family planning and safe sex behaviour; and gender inequality. These issues are accentuated in rural areas, where women and young people, in particular ethnic minorities, are more vulnerable, due to remoteness of their communities, linguistic barriers and certain traditional practices.

59. UNFPA, under the third country programme, actively and effectively addresses the challenges through activities in the following key programme areas.

Support for family planning and quality reproductive health services

60. UNFPA supports the Ministry of Health to provide quality family planning services, including counselling and a variety of contraceptive methods in all 18 provinces through some 700 health facilities (in 2004, UNFPA provided 25 per cent of the national requirement for contraceptives). The Fund supports a core package of integrated reproductive health services in three southern provinces, Attapeu, Sekong and Saravane, as well as training of service providers in counselling and emergency obstetric care, provision of equipment and supplies, improvement of referral systems, and outreach activities by mobile teams to provide assistance to remote villages that lack facilities and permanent health workers.

61. These measures are complemented by UNFPA support to the Ministry of Health in developing the National Reproductive Health Policy, strategy and guidelines in an effort to establish a standard national reproductive health service delivery system at all levels, as well as the national Reproductive Health Commodity Security Strategy to plan for future needs and to diversify sources of funding, including the national budget. A computerized contraceptive logistics information system has been developed to reduce contraceptive commodity stockouts. The Government is considering the allocation of at least 5 per cent of the contraceptive requirement in the 2005-2006 health budget.

Promoting reproductive health awareness and knowledge, adolescent reproductive health and gender equality

62. UNFPA provides support for community-based advocacy, education and behaviour change activities targeting women, men and adolescents, including ethnic groups, conducted in cooperation with the Lao Women's Union and the Lao Youth Union (training village volunteers to provide information about the risks of early marriage and unplanned pregnancy, unsafe sex and STI/HIV; and promoting health-seeking safe sex behaviour and gender equality).

63. Adolescents are targeted by a joint UNFPA/UNICEF project that supports education about sexual and reproductive health issues, life skills, HIV/AIDS and drug-use prevention as part of the school curricula. The delegation was able to see the implementation of this project in secondary schools in Luang Prabang and Champasack provinces, and in the Teacher Training College, which provides pre-service training to students and in-service training for teachers in the southern region.

64. Under the European Union-funded regional Reproductive Health Initiative for Youth in Asia (RHIYA), UNFPA supports the multi-purpose Youth Centre and attached clinic in Vientiane that train peer educators, provide adolescent reproductive health counselling and services, and recently established a network of referral and confidential counselling for youth with several hospitals in Vientiane. The peer education approach is also used in the RHIYA project to raise awareness about the danger of unwanted pregnancy and STI/HIV/AIDS, targeting vulnerable service women in Vientiane, in partnership with the Lao Youth Union, entertainment business owners and Care International. The delegation visited both projects and was impressed by the interest and enthusiasm of the young people involved in the peer education programmes.

65. In rural areas, UNFPA supports multisectoral mobile teams targeting youth in the provinces of Appateu, Sekong and Saravane. The mobile teams provide adolescent reproductive health information and services to complement and reinforce the activities implemented by the Ministry of Health, using various media, including community drama, "edutainment" activities and peer education approaches. The delegation witnessed community entertainment activities and their enormous popularity among all members of the village. These approaches are proving to be effective, including with regard to culturally sensitive issues.

Integrating population concerns and issues in national development policies and strategies through improved coordination and advocacy

66. UNFPA supported the CPI in amending the NPDP to reflect more fully the ICPD principles and to align with the NGPES. The NPDP implementation plan will be updated to form part of the next socio-

economic plan for 2006-2010, and will include a monitoring framework. Both documents will be widely disseminated to gain the support of local authorities for integrating the NPDP into provincial and district plans and activities.

67. UNFPA provides personnel and technical support to the National Coordinating Committee for Population and Development, established under the CPI, which is the national inter-ministerial mechanism for coordinating and overseeing activities in this field.

68. To enhance ownership and implementation, UNFPA supports advocacy activities for parliamentarians, policy makers, planners and administrators at central and subnational levels, and community leaders designed to promote awareness and gain their support for reproductive rights and health, gender equality, women's empowerment, population and development issues and the MDGs.

Strengthening national capacity for data collection, analysis and research in reproductive health, gender and population issues

69. UNFPA works with the National Statistical Centre to improve the availability of data, through surveys, and the national database for population and development planning; and to facilitate gender analysis through increased availability of sex-disaggregated data. Together with WHO and UNICEF, UNFPA is supporting the preparation and conduct of the 2005 reproductive health/nutrition survey. UNFPA also supports the Population Studies Centre at the National University of Laos to enhance the capacity of students and staff of relevant agencies to undertake research and analysis of population, reproductive health and gender issues.

70. UNFPA works closely with WHO, UNICEF and UNAIDS through the United Nations Health Working Group to focus on implementable joint interventions and collaborative programme activities, such as joint strategies to reduce maternal mortality; integrated outreach service package of reproductive health and child health, and expanded programme of immunization/nutrition.

IX. UNDP and UNFPA response to HIV/AIDS

71. Despite current low prevalence rates, the potential risk of the epidemic's spread influenced the UNCT decision to select HIV/AIDS as one of three priorities for joint response, leading to five substantive areas for joint cooperation as part of the next UNDAF. According to the UNDP and UNFPA country offices, the challenge for the Government in combating HIV/AIDS is preventive actions to avoid a rapid rise in HIV prevalence. By minimizing future risks, the country could avoid the financial and human costs of the epidemic that hamper development.

72. UNDP is in the process of formulating the next generation of its HIV/AIDS programme, aimed at mainstreaming and integrating responses on HIV in different line Ministries through multisectoral working groups and interaction platforms, greater involvement of people living with HIV/AIDS and developing an effective advocacy strategy at national and provincial levels, providing support, including in terms of capacity development, to the National Committee for the Control of AIDS, under the leadership of the Ministry of Health, as an overarching decision-making body providing policy guidance and oversight to a sustained multisectoral response.

73. STI and HIV prevention is an integral part of almost all UNFPA-supported reproductive health activities. With the Ministry of Health, UNFPA supports STI/HIV prevention through health facilities and community health volunteers, targeting pregnant women, and supporting counselling and condom promotion for dual protection against pregnancy and STI/HIV prevention. With the Lao Women's Union and the Lao Youth Union, UNFPA develops and disseminates information, education, and communication materials and supports community activities, peer education and interpersonal communication to increase awareness of STI/HIV/AIDS, targeting women, men and young people. In the education sector, UNFPA has a joint programme with UNICEF to train teachers in selected schools to provide education on population, reproductive health and HIV/AIDS issues to adolescents and illiterate people.

X. United Nations system reform, strategy and coordination

74. The delegation looked at the issues related to the triennial comprehensive policy review (TCPR) of operational activities of the United Nations for development in terms of the work of the United Nations system in the Lao People's Democratic Republic, taking into account the useful contribution of the UNCT in the review of country experience for the TCPR in 2004. To this end, constructive discussions were undertaken with all UNCT agency representatives in the country.

75. The delegation was informed of good UNCT teamwork and interaction. Clear commitment exists to deepen collaboration (including on the part of the World Bank, IMF and the Asian Development Bank, ADB, all of whom are part of the UNCT) through various operational modalities put in place by the office of the resident coordinator, including UNCT executive support, theme groups, as well as web-based interaction. The MDGs were acknowledged as having had a big impact on enhancing coordination.

Key programming instruments

76. The common country assessment (CCA), published in 2000, identifies 23 development challenges including capacity needs, aid dependency, vulnerable groups, sustainable livelihoods, UXO, regional and gender disparities. The delegation notes the high quality and clearly structured analysis of the CCA presented in a reader-friendly format. The delegation also notes with interest that the UNCT is not going to prepare a brand new CCA, but will undertake a revision of the present one. This approach deserves to be analysed for replication in other countries.

77. The UNDAF for 2002-2006 harmonized the programme cycles of the United Nations Development Group (UNDG) Executive Committee agencies. The UNDAF focuses on four key areas namely, poverty eradication; response to basic human needs; sustainable use of natural resources and preservation of cultural heritage; and human rights, gender and good governance. The UNCT has taken steps to align and operationalize the remainder of the current UNDAF within context of the MDGs and NGPES.

78. The UNDAF is considered to be "a very inclusive but vast framework", and its midterm review in 2004 recommended the prioritization of UNDAF areas for the remaining period to make the framework more realistic. On the other hand, concerns were raised (in particular by specialized agencies) that the UNDAF did not cover all areas of all agencies (the United Nations is involved in approximately 180 areas in the Lao People's Democratic Republic) and that the second generation UNDAF, while pursuing

prioritization would push some agencies further out. The Resident Coordinator has an understanding that "a delicate balance has to be struck" between both tasks, i.e., identifying in the new UNDAF, first and foremost, the areas where the system can work closely together, while giving flexibility to the agencies to continue to address their specific priorities. This approach seems to be reasonable and realistic.

79. The midterm review has also shown that the UNDAF is considered by the UNCT as "not particularly useful". One of the reasons for that, as the delegation was informed, is that the present UNDAF was prepared after the country programme documents had been developed. A major improvement in the situation is expected after "rightly spacing" the second UNDAF, and ensuring it is strategic and focused in priority areas, thereby providing a framework for collective United Nations system action for results. UNCT efforts are well under way to prepare for this new formulation in 2005.

Coordination and the resident coordinator system

80. The present Resident Coordinator is highly regarded across the United Nations system in the Lao People's Democratic Republic, a view that is fully supported by the delegation's observations. The coordination function is supported by the competent and active resident coordinator office staff. At the same time the resident agencies' representatives attributed successful coordination more to the resident coordinator's personality than to the strengths of the system itself ("the system is good when the resident coordinator is good"). The system, as it was alluded to, is "not yet fully geared" to the tasks it has to fulfil. Its strengthening should be country specific, i.e., take into account national context, modalities of interaction with the Government, and specific programme activities of agencies.

81. The UNCT agencies' representatives were generally positive regarding further strengthening of the resident coordinator authority. However, they were firm on the need to preserve the institutional integrity and organizational mandates of the different agencies, while representatives of the specialized agencies were seen as more distanced from this issue. The issue of the resident coordinator function being perceived as UNDP work was also raised by representatives of other agencies (i.e., a distinction between the role of UNDP and the resident coordinator in donor coordination was not clear, considering that the function moved formally into the resident coordinator office in 2004). Also emphasized was the need to broaden the pool of the resident coordinators, to include representatives from agencies other than UNDP.

82. The UNCT is aiming at more efficient and cost-effective coordination. To this end the critical issue of strengthening of the resident coordinator function capacity, both in terms of budget and staffing, was highlighted and deserves serious attention.

83. Inter-agency coordination and collaboration were found to be useful and have been improving gradually. At the same time, effective participation in coordination is considered to be time-, resource- and capacity-consuming and places significant burden, especially on the agencies with small field representation in terms of fully participating in the CCA/UNDAF processes and the theme groups (the ADB representative's point of "too many mechanisms" to take part in can be cited as an example).

84. The Resident Coordinator considers collaboration between the World Bank and the United Nations in supporting aid coordination in the Lao People's Democratic Republic through the RTM to be a model. Both organizations work harmoniously, with UNDP co-chairing the RTM process and providing

technical assistance, and the World Bank assisting in preparing the documentation and providing technical assistance in the preparatory process.

Simplification and harmonization

85. The simplification and harmonization agenda is pursued through CCA/UNDAF processes, joint programming, and common premises. The delegation visited the site of the future United Nations House. The Government has provided a plot of land and will finance the construction of the building out of its government contributions to local office costs (GLOC) arrears to UNDP. While acknowledging in general that the United Nations House will provide a more unified identity, the agencies have diverse approaches towards moving into common premises. They referred to different existing financing arrangements with the Government with regard to premises (some rent commercially while others are given rent-free premises by the Government) and the lack of resources to contribute to the construction of the new building (GLOC relates only to UNDP). The need to define a financing mechanism for the construction was stressed.

86. The agencies are generally open to joint programming. UNFPA, in particular, is involved in a number of joint efforts with UNICEF, WHO, UNAIDS and IFAD. However, joint programmes are not regarded as an end in themselves but are viewed as a useful means to improve effectiveness and complementarity in specific areas of common concern. The UNCT also makes the distinction between joint programming and joint programmes, recognizing that resource transfer modalities across the United Nations agencies need harmonization and simplification in order to make joint programming efficient, flexible and possible.

87. It was clearly articulated during the delegation's meetings that to be successful simplification and harmonization must involve agencies at country, regional and headquarters levels, as well as extend beyond the United Nations system and be aligned with similar efforts by the entire donor community.

XI. Meetings with donor community representatives

88. The delegation met with representatives of Japan, European Union[8] and ADB who are the top donors in the Lao People's Democratic Republic.

89. United Nations agencies are considered by donors to be very well integrated into the development community and there seems to be genuine interaction between the United Nations and bilateral donors. Both parts of the system work together in a more coordinated way than in most other countries. Many donors are involved in co-financing arrangements.

90. The delegation's meetings have demonstrated that the United Nations has a positive standing with the donors who acknowledge that the role of the United Nations in the Lao People's Democratic Republic is much more important than in other countries, both in terms of programmatic challenges and coordination. The donors were unanimous in recognizing the strong United Nations/UNDP leadership in supporting aid and policy coordination with the Government. Quarterly informal ambassadorial meetings

[8] Head of Delegation of the European Commission.

and eight donor working groups convened in UNDP by the resident coordinator office enjoy the support of all donors.

91. The donors also acknowledge United Nations' comparative advantage in terms of its trusted relations with the Government, which allow it to play a "strong and good" role in successfully involving the Government in dialogue. The donors would clearly prefer to see the United Nations building on that and encouraging the Government towards a rights-based approach, including concerning such programmes as resettlement, UXO and governance.

92. Donors had agreed to working on the basis of the NGPES. At the same time, the delegation got the impression that the donor community still has to fully rally behind the NGPES. Some of the donors continue to work according to their own plans and priorities, while considering the NGPES as a "very long shopping list impossible to implement" that requires significant prioritization to become an operational basis for donor interventions. The issue of NGPES being "realistic" versus "ambitious" was also raised.

93. The donors view that there is still room for improving the NGPES, along with the Government's insufficient administrative capacity, is also reflected in the reluctance to go from earmarked assistance to joint support such as sector-wide appro. :hes (SWAps) and direct budget support. Donors expressed the view that the Government needs to create conditions for this type of aid to work.

94. Considering that one of the main goals of reorienting development assistance from individual projects to SWAps or budget support is to strengthen a recipient country's ownership, oversight and control of the development assistance, and reduce the strain on the administration, it was interesting to note one donor's comment to the effect that donors should not necessarily wait until the Government's financial and administrative capacity is working perfectly before providing assistance through such new modalities.

XII. UNDP and UNFPA country office operations

95. "In-house capacity" was highlighted as a critical issue and "the most important management challenge" for both UNDP and UNFPA country offices. Both offices reported inadequate staffing to tackle the complex development challenges the country faces.

96. Given the difficulty in finding qualified nationals there is a heavy reliance in both country offices on Junior Professional Officers (JPOs) and UNVs (particularly fully-funded UNVs) with short-term contracts limited to up to three years (JPOs, in particular, were commended for their capabilities by both UNDP and UNFPA Representatives). In the context of the JPO "brain-drain" problem, the issue of preserving their experience in the longer-term perspective was highlighted as being important.

97. The UNDP and UNFPA Representatives believe that their respective offices do not have sufficient resources for staff development to meet the requirements for effectively supporting demands on the system. In this context the following issues were raised: (a) the need for a properly structured country-specific learning strategy for building national staff capacities, including a corporate effort to assess national staff capacities in order to rationalize staffing and level and type of support to be provided in the specific country context; and (b) the absence of necessary funding to support such strategies for (national) staff development and training.

98. The delegation was informed that since the opening of the office in 2000, UNFPA had experienced a high staff turnover, most recently due to the typology implementation and matching of the staff against the strengthened job descriptions. While the office has met the criteria of Type 4 of the typology, it has not yet been upgraded from the current Type 3, thus there is only one international post, that of the Representative. In this regard, an urgent need to reclassify the office to Type 4 and to allocate an additional international post to the country office was highlighted.

99. The delegation was informed that one of the important challenges in terms of UNDP operations was the issue of cost-recovery. Transformation from a percentage-based recovery rate for project services (3 per cent of the project's budget) to the Universal Price List (UPL), where the Lao People's Democratic Republic is put in the lowest zone, has led to lower earnings to the UNDP country office extra-budget. This may negatively affect staff positions financed by the extra-budget, putting cooperation in jeopardy. Presently six UNVs are paid out of cost-recovery money generated by the UNDP country office. The perception of the delegation is that neither UNDP nor UNFPA country offices (as a provider and a user of services) are fully satisfied with the UPL.

100. The UNDP and UNFPA country offices seem to be quite comfortable with Enterprise Resource Planning (ERP) 'Atlas' system, while acknowledging that the system has not yet been fully rolled out and that it is a time-consuming process which requires extensive staff training and to some extent change in attitude. The system is perceived to be good ("much better than the previous one"), bringing more transparency, accountability and segregation of duties. The connectivity problem that hampered effective ERP use in the past was reported to have been solved.

101. UNDP cited excellent cooperation with the regional support teams/SURFs (regional centres), which are used extensively and considered to be cost-effective. Growing demand for regional centres' support, however, in the opinion of the delegation, may eventually be confronted with their insufficient response capacity. Virtual resources are also useful but computer downloading could be time-consuming. Due to limited capacities for knowledge management national staff is not very active in participating in knowledge networks.

102. The briefing on staff security highlighted the issue of accessibility of medical services for United Nations staff. Due to insufficient quality of health services in the country, United Nations staff generally goes to Thailand or Singapore for health services. In case of emergency health situations, bureaucratic procedures might hamper swift transportation out of Vientiane (the bridge between Vientiane and Thailand is closed during the night and approval of landing rights for helicopters takes several hours). The delegation noted that this issue is high on the agenda on the UNCT and a United Nations system working group was established recently to revise the medical evacuation protocols, including with regard to support in case of medical emergencies, and develop recommendations for the establishment of a short-term and long-term medical service for staff in the new United Nations House.

XIII. Observations and recommendations

103. Significant national capacity and development challenges facing the country determine the considerable and continuous role of UNDP and UNFPA in the Lao People's Democratic Republic. The delegation highly commends the successful and fully relevant programme activities of both agencies,

underlining in particular, that they aim at close alignment with Government priorities, promote national ownership and national execution, significantly contribute to donor coordination, and respond to relevant Executive Board decisions while accommodating them to the national context. This should be regarded as an exemplary approach that could be supported by increased extra-budgetary donor financing.

104. Addressing the development challenges of the country demands creative and flexible country-specific responses. This flexibility should be provided for in the key country programming instruments, in particular the UNDAF.

105. The delegation clearly sees national capacity-building as a crucial element of the United Nations system work in the Lao People's Democratic Republic that should cross-cut all aspects of UNDP/UNFPA programme activities. The Government should be supported in its "learning by doing approach" by increasing the use of national expertise, including national volunteers. not only as a cost-effective modality, but also as a way of further building up national capacity. NEX capacity assessment would be a useful exercise in order to determine what kind of support should be provided to maximize its impact on national capacity-building. The involvement of the specialized agencies in the UNDP and UNFPA projects could also be assessed in the context of NEX support.

106. UNDP should build on its unique mediating role of "honest broker" between the Government and the donors and continue to play a leading role in coordinating donor activities. In doing that it should avoid being associated with the pressure that some donors may put on the Government and should adhere to the principles of neutrality, impartiality and country-driven programming. The niche for UNDP is to stand ready to respond to the Government's requests for technical assistance, including in areas where it has to cope with the demands of the donors.

107. Efforts should be continued to improve United Nations and overall donor coordination, including at provincial and district levels. The online database that has been developed by the resident coordinator office should be regularly updated and widely disseminated. Its assessment with the aim of replicating this experience in other countries would be useful.

108. The delegation recommends that the issue of strengthening the resident coordinator function capacity, both in terms of budget and staffing, should be given appropriate attention.

109. Both UNDP and UNFPA view themselves as generally successful in upstream institutional and policymaking interventions. While supporting that in general, the delegation is also of the opinion that these interventions should continue to be adequately complemented by the "downstream" work at the community level where more efforts could go into activities that produce visible development changes on the ground, including improved living conditions and increased local entrepreneurship in the area of income generation.

110. The delegation's observations confirm that a long-term and coherent national UXO action programme is required with continuous strong support from the United Nations. The appraisal of UNDP work in this area is very positive. International attention to the UXO problem is less than that required by the gravity of the situation. UNDP should continue to put an emphasis on raising awareness in the international donor community about the UXO problem in the Lao People's Democratic Republic. Technical assistance, upon request of the Government, could be provided with regard to the

implementation of the Ottawa Convention, whereas the decision to access it should remain strictly in the hands of the Government.

111. The delegation would like to highlight the UNDP/UNV GPAR programme as a successful example that could be replicated in other recipient countries lacking national capacity, and an experience deserving to be disseminated through knowledge networks.

112. The delegation notes that while both UNDP and UNFPA have invested in programming to combat HIV/AIDS, other multilateral organizations, such as WHO, also are active in the area of HIV/AIDS programming, and financial support is provided by the Global Fund to fight AIDS, tuberculosis and malaria. The delegation understands that the prevalence of other diseases, such as malaria, cholera and dengue fever, is significantly higher than that of HIV/AIDS. The delegation is of the opinion that, in addition to consideration of the potential for increase in the prevalence of a disease, it is important to reference current burden of disease levels as well as existing programming efforts being undertaken by other donors and government organizations to address communicable diseases. Linkages between HIV/AIDS and sexual and reproductive health programming as undertaken by UNFPA should also be considered.

113. Considering the high percentage of the young population, the delegation stresses the importance of significant and strategic investments into their well-being. Future indicators of employment, fertility, infant and maternal mortality, rural-urban migration and even social indicators, such as education or crime rates, will all depend on the effectiveness of actions taken now. Youth should be seen as a cross-cutting issue, meriting special consideration by the Government and donors. The delegation recommends that the Resident Coordinator, in consultation with the United Nations system agencies, as appropriate, consider initiating a multisectoral strategy that would address the challenges relating to youth in a systematic and harmonized way.

114. UNFPA, in particular, should strengthen the primary focus on youth in its efforts to assist the Government in promoting sexual and reproductive health policies and programmes. Communication strategies used in social marketing programmes can be effectively utilized to motivate individual behavioural changes. Television and radio advertising is an efficient way of reaching young people and their parents, and support media such as bus and billboards advertising and written publications (targeted to the youth and adult population) can be effective in reinforcing the key messages of the sexual and reproductive health policies of the Government. UNFPA should seek the continuation of European Union support for youth to build national capacity to sustain successful peer education and community outreach activities.

115. Given the difficulty of access to health services in many poor villages in remote areas and the lack of transportation for villagers, the delegation recommends that UNFPA consider expanding its support to mobile teams to cover more villages in order to improve maternal and infant health, and reduce mortality.

116. The UNV should be commended for its constructive approach, commitment and real value added in a number of programme areas.

117. A further role for UNCDF is clear in implementing projects in the area of local governance in cooperation with UNDP. Although UNDP can satisfactorily carry out activities related to local governance and microfinance, the multiple roles it is called to play by the Government suggests that the involvement of UNCDF to deliver such activities could be expanded within the framework of the 2005-2007 UNCDF Business Plan.

118. Given that limited national professional capacities directly affect country office operations, the delegation strongly recommends that UNDP and UNFPA look into the issues related to the staff capacity of both country offices as expressed earlier in the report. Staffing should be sufficient to address the development challenges facing the country and to implement the concept of a knowledge-based organization in a country-specific context. To this end, the learning and staff development budget could be increased in the office budgets, so that staff are given opportunities to grow to their full potential.

119. The delegation recommends including national capacity in the consideration of the UNFPA country office typology and regularly reviewing the classification at the time of the preparation of the biennial support budget. In the case of the UNFPA office in the Lao People's Democratic Republic, that would mean its reclassification to Type 4 and deployment of an additional international post. In the interim, so as to meet immediate needs, an international professional staff could be provided to the office.

120. The visit to the Lao People's Democratic Republic reaffirmed the usefulness of individual UNDP/UNFPA field visits for the Executive Board members, in terms of better understanding of the processes, operations and activities on the ground; country specificities in implementing the Board's decisions, in particular, with regard to the reform programme; as well as highlighting specific programme and operational challenges confronting the country offices. The delegation stresses the contribution of the field visits to the improved quality of decision-making in the Executive Board.

Annex

List of participants
UNDP/UNFPA Executive Board field visit
to the Lao People's Democratic Republic

Regional group/ Country	Name and Title	Previous participation, if any
African States		
Cape Verde	Mr. Jose Maria Tavares-Silva Second Secretary, Permanent Mission	
Uganda	Ms. Norah L. Katabarwa Counsellor, Permanent Mission	
Asian and Pacific States		
China	Ms. Lin Cao Deputy Director Programming Division, Ministry of Commerce	
India	Ms. Ruchi Ghanashyam Minister, Permanent Mission	
Latin America and Caribbean States		
Guatemala	Ms. Monica Bolanos-Perez First Secretary, Permanent Mission	
Eastern European States		
Poland	Ms. Ewa Anzorge First Secretary, Permanent Mission	Guatemala (2004)
Russian Federation	Mr. Alexander Alimov First Secretary, Permanent Mission	Viet Nam (2002) Mozambique (2003)
Western Europe and other States		
Canada	Mr. George Wieringa Senior Programme Officer Canadian International Development Agency	
Norway	Ms. Sigrid Anna Oddsen Second Secretary, Permanent Mission	

Note: The team was accompanied by Ms. Rekha Thapa, Secretary, UNDP/UNFPA Executive Board Secretariat and Ms. Ranjana Dikhit, UNFPA Senior Reports Officer.

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